

ORIGINAL

ILLINOIS-AMERICAN WATER COMPANY

Depreciation Study
as of
December 31, 1998
and
Proforma Depreciation Tables

CHIEF CLEARY'S OFFICE

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ILLINOIS
COMMERCE COMMISSION

Earl M. Robinson
President & CEO

AUS CONSULTANTS
Utility Services
Weber Fick & Wilson Division
1000 N. Front St., Suite 200
Wormleysburg, PA 17043
(717) 763-9890
FAX: (717) 763-9931
INTERNET: <http://www.ausinc.com>
E-MAIL: erobinson@wfw-ausinc.com

November 10, 1999

Mr. Ronald D. Stafford, Director
Rates and Revenue
ILLINOIS-AMERICAN WATER COMPANY
300 North Water Works Drive
Post Office Box 24040
Belleville, IL 62223

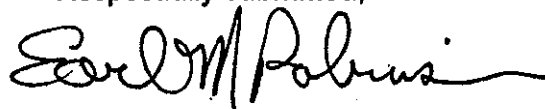
Dear Mr. Stafford:

In accordance with your authorization, we have prepared a depreciation study related to the utility plant in service of Illinois-American Water Company as of December 31, 1998. Our findings and recommendations, together with supporting schedules and exhibits, are set forth in the accompanying report.

Summary schedules have been prepared to illustrate the impact of instituting the recommended annual depreciation rates as a basis for the Company's annual depreciation expense as compared to the rates presently utilized. The application of the present rates to the depreciable plant in service as of December 31, 1998 results in an annual depreciation expense of \$10,632,851. In comparison, the application of the proposed depreciation rates to the depreciable plant in service at December 31, 1998 results in an annual depreciation expense of \$11,981,397. During 2000, the Company will complete the construction of a new Alton Treatment Plant. Accordingly, the proposed depreciation rates have been adjusted (per Table 2 Proforma) to reflect the proforma impact of the resulting major investment changes. Applying the resulting proforma depreciation rates (Per Table 1 Proforma) to the Company's December 31, 1998 plant in service produces annual depreciation expense of \$11,386,155 which is an increase of \$753,304 over current rates. The composite annual depreciation rate under present rates is 3.49 percent, while the proposed proforma composite depreciation rate is 3.73 percent.

Section 2 of our report contains the summary schedules showing the results of our service life and salvage studies and summaries of presently utilized depreciation rates. The subsequent sections of the report present a detailed outline of the methodology and procedures used in the study together with supporting calculations and analyses used in the development of the results. A detailed table of contents follows this letter.

Respectfully submitted,



EARL M. ROBINSON

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ILLINOIS-AMERICAN WATER COMPANY

Executive Summary

Table 1 Proforma, on pages 2-1 and 2-2, summarizes the current depreciation rates versus the proposed proforma depreciation rates. The proforma depreciation rates incorporate the impact of the significant pending investment changes beyond the December 31, 1998 depreciation study date resulting from the completion of the new Alton Treatment Facility during 2000.

Table 2 Proforma, on page 2-3, develops the proforma depreciation rates to incorporate the impact of the large additional investment relative to the new Alton Treatment Facility that will occur subsequent to the December 31, 1998 depreciation study date.

Table 1 - Recap, on pages 2-4 and 2-5, contains the same information as Table 1 on pages 2-6 to 2-8 except that the schedule shows depreciation rates on a primary account level as opposed to the various sub-accounts analyzed in completing the comprehensive study.

Table 1 on pages 2-6 to 2-8 is a comparative summary which illustrates the effect of instituting the revised depreciation rates. The schedule includes a comparison of the annual depreciation rates and annual depreciation expense under both present and proposed rates applied using the Straight Line Method for each depreciable property group of the Illinois - American Water Company's (the "Company") plant in service as of December 31, 1998. Both the present and proposed depreciation rates were developed utilizing the Straight Line (SL) Method, Broad Group (BG), Procedure and the Average

Remaining Life (ARL) Technique.

Table 2 on pages 2-9 to 2-12 provides a summary of the detailed life estimates and service life parameters (Iowa Curves) utilized in preparing the Average Remaining Life depreciation rates for each property group. The schedule provides a summary of the detailed data and narrative of the study results set forth in Sections 4 through 8. The developed depreciation rates (Column L) were determined by studying the Company's historical investment data together with the interpretation of future life expectancies which will have a bearing on the overall service life of the Company's property.

Table 3 on pages 2-13 and 2-14 contains the allocation of the Company's aggregate book depreciation reserve for selected depreciable property groups. Each of the applicable property group's book depreciation reserves were proportionally distributed to each asset sub-account group based upon the theoretical depreciation reserve. The theoretical depreciation reserve was developed using each asset category's utility plant in service as of December 31, 1998 together with the current estimated service life characteristics and net salvage factors developed per the study.

Table 4 on pages 2-15 to 2-18 reconciles the Company's December 31, 1998 plant in service per books versus the plant balances utilized in the preparation of the depreciation study. During the course of preparing the depreciation study, several unrecorded retirements were identified and incorporated into the depreciation study base. These pending retirements will be recorded per books during the next accounting period.

Table 5 on pages 2-19 to 2-21 reconciles the Company's book depreciation reserve to the depreciation reserve utilized in developing the annual depreciation rates in this study. The pending retirements incorporated into the depreciation reserve are those

described above and also incorporated into Table 4.

The utilization of the recommended depreciation rates based upon the Straight Line Average Remaining Life Procedure results in the setting of depreciation rates which will continuously true up the Company's level of capital recovery over the life of each asset group. Application of this procedure, which is based upon the current best estimates of service life together with the Company's plant in service and accrued depreciation, produces annual depreciation rates that will result in the Company recovering 100 percent of its investment -- no more, no less.

It is recommended that the Company apply depreciation rates and maintain its book depreciation reserve on an account-level basis. The maintenance of the book reserve on an account-level basis requires both the development of annual depreciation expense and distribution of other reserve account charges to an individual level. Maintaining the Company's depreciation records in this detail will aid in completing the various rate studies and, most importantly, clearly identifies the Company's level of capital recovery relative to each category of plant investment.

The general drivers for the proposed depreciation rates include an assessment of the Company's historical experience with regard to achieved service lives and net salvage factors. In addition, consideration is given to current and anticipated events which are anticipated to impact the Company's ability to recover its fixed capital costs related to utility plant in service utilized to provide service to the Company's customers.

Several factors anticipated to affect the Company's water operations and related investment cost recovery are the ongoing governmental regulations, as well as the various requirements anticipated to meet the Enhanced Surface Water Treatment Rule and

Maximum Contaminant Levels. Such regulations will likely require the Company to continue to upgrade various components of its treatment facilities throughout the system. Also, various source of supply improvements will be needed in future years.

In conjunction with the treatment and distribution of its water supply, numerous modifications, upgrades, and/or replacements of its pumping facilities will be required in future years to maintain and/or improve its current level of operations. Also, with regard to distribution facilities, the Company has a program to replace mains that have excessive corrosion failures and/or multiple failures causing customer service interruptions. The ongoing replacement activity is anticipated to impact the achieved useful service life of mains and/or valves, as well as services.

The depreciation rate for each individual account changed as a result of reflecting estimates obtained through the in-depth analysis of the Company's most recent data together with an interpretation of ongoing and anticipated future events. Some of the revisions were not significant and typically reflect fine tuning of previously utilized depreciation rates while others were more substantial in nature. Several of the accounts *did reflect marked changes (as outlined in Section 4 of this report)* from the previously utilized depreciation rates. The most notable depreciation rate changes occurred relative to Account 320.10 - Water Treatment Equipment, Account 320.20 - Chemical Treatment Equipment, Account 331 - Transmission and Distribution Mains, Account 333 - Services, Account 346 - Meters, and Account 341 - Transportation Equipment.

The depreciation rate for Account 320.10 - Water Treatment Equipment increased from 3.91 percent to 5.97 percent. The principal reason for the depreciation rate increase is the estimation of applicable life span each of the Company's treatment plant facilities

and the application of those parameters via the Life Span Method to the present plant in service investments. Furthermore the Company is in the process of replacing its existing Alton Treatment Facility during 2000.

The depreciation rate for Account 320.20 - Chemical Treatment Equipment increased from 3.91 percent to 7.60 percent. The proposed depreciation rate is based upon the utilization of service lives and salvage percents being experienced by the Company's property.

The composite depreciation rate for Account 333 - Services increased from 3.84 percent to 6.49 percent. The increased depreciation rate incorporates an increased recognition of the high level of negative net salvage being experienced by the Company, as well as the useful service lives being experienced by the property group.

The composite depreciation rate for Account 334 - Meters increased from 4.09 percent to 15.21 percent. The Company is changing out facilities to provide accurate and efficient metering. The proposed depreciation rate incorporates average service lives and net salvage being experienced by the Company.

Conversely, several of the Company's proposed depreciation rates declined from the current depreciation rates. The depreciation rate for Account 343 - Transmission and Distribution Mains declined from 1.95 percent to 1.60 percent. The proposed depreciation rate is the product of the application of applicable service lives to each of the various property categories which comprise the overall property account. The proposed depreciation rate also incorporates the recognition of ongoing levels of negative net salvage incurred at the end of property life.

Likewise, the composite annual depreciation rate for Account 341 - Transportation

Equipment declined from 21.14 percent to 8.31 percent. The depreciation rate change is being drive by the fact that the book depreciation reserve is much higher than required for the age of the property. Accordingly, the average remaining life technique's true up mechanism currently causes the property group's depreciation rate to decline.

Various of the remaining account/sub-accounts experienced increases and/or declines in recommended depreciation rates to a lesser degree, as noted per Table 1 Proforma on pages 2-1 to 2-2 of this report. This revision in annual depreciation rates and expense is the result of both changes in the estimated service lives and salvage factors, and reflects the impact of the Company's property changes since the most recent study.

As noted, during 2000, the Company will complete the construction of a new Alton Treatment Facility. Accordingly, the proposed depreciation rates have been adjusted to reflect the proforma impact of major investment changes. Applying the resulting proforma depreciation rates to the Company's December 31, 1998 plant in service produces annual depreciation expense of \$11,386,155 which is an increase of \$753,304 over current rates.

The following summary compares the present and proposed composite depreciation rates for illustrative purposes only. The Composite Depreciation Rate should not be applied to the total Company investment inasmuch as the non-proportional change in plant investment as a result of property additions or retirements would render the composite rate inappropriate. The Table 1 Proforma schedule lists the recommended annual depreciation rates for each property account.

Present Depreciation Rates

Depreciable Plant In Service at December 31, 1998	\$305,012,807
Annual Depreciation Expense	10,632,851
Composite Annual Depreciation Rate	3.49%

Proforma Proposed Depreciation Rates

Depreciable Plant In Service at December 31, 1998	\$305,012,807
Annual Depreciation Expense	11,386,155
Composite Annual Depreciation Rate	3.73%

Illinois - American Water Company

Consolidated

Summary of Original Cost of Utility Plant in Service as of December 31, 1998
and Related Annual Depreciation Expenses Under Present and Proposed Depreciation Rates
(Proforma Calculation Based Upon Replacement of Alton Treatment Plant During 2000)

Acct. No.	Account Description	Original Cost 12-31-98	Present Rates		Proposed Rates		Net Change Depreciation Expense	
			Rates %	Annual Accrual (e)=(c)*(d)	Rates %	Annual Accrual (g)=(c)*(f)		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(i)=(g)-(e)	
DEPRECIABLE PLANT								
<u>Source of Supply</u>								
304.10	(311.00)	Structures & Improvements	1,786,747.66	5.01%	89,516	2.65%	47,349	(42,167)
305.00	(312.00)	Collecting & Impounding Reservoirs	39,033.82	2.24%	874	2.48%	968	94
306.00	(313.00)	Lakes, River & Other Intakes	2,151,108.53	1.75%	37,644	2.04%	43,883	6,239
307.00	(314.00)	Wells & Springs	651,793.06	1.41%	9,190	2.91%	18,967	9,777
309.00	(316.00)	Supply Mains	3,465,211.62	1.21%	41,929	1.49%	51,632	9,703
TOTAL Source of Supply			8,093,894.69	2.21%	179,153	2.01%	162,799	(16,354)
<u>Pumping Equipment</u>								
304.20	(321.00)	Structures & Improvements	6,879,212.38	2.56%	176,108	3.28%	225,638	49,530
310.00	(323.00)	Power Generation Equipment	1,198,050.81	2.77%	33,186	2.74%	32,827	(359)
311.20	(325.00)	Electric Pumping Equipment	18,785,625.93	2.77%	520,362	3.44%	646,226	125,864
311.30	(326.00)	Diesel Pumping Equipment	918,439.91	4.16%	38,207	2.26%	20,757	(17,450)
311.50	(328.00)	Other Pumping Equipment	53,342.34	13.26%	7,073	14.29%	7,623	550
TOTAL Pumping Equipment			27,834,671.37	2.78%	774,936	3.35%	933,071	158,135
<u>Water Treatment Plant</u>								
304.30	(331.00)	Structures & Improvements	24,280,834.77	2.82%	684,720	2.42%	587,596	(97,124)
320.00	(332.00)	Water Treatment Equipment	33,855,400.48	3.91%	1,323,746	5.00%	1,693,453	369,707
TOTAL Water Treatment			58,136,235.25	3.45%	2,008,466	3.92%	2,281,049	272,583
<u>Transmission & Distribution Plant</u>								
330.00	(342.00)	Distribution Reservoirs & Standpipes	5,989,965.23	1.47%	88,052	2.46%	147,353	59,301
331.00	(343.00)	Mains	112,420,988.43	1.95%	2,192,209	1.60%	1,798,283	(393,926)
333.00	(345.00)	Services	35,282,323.34	3.84%	1,354,841	6.49%	2,289,273	934,432
334.20	(347.00)	Meter Installations	12,690,820.29	5.07%	643,424	5.05%	640,300	(3,124)
334.42	(346.15)	Meters - Metal	6,886,490.09	3.68%	253,423	14.47%	996,319	742,896
334.43	(346.20)	Meters - Plastic	306,757.54	13.25%	40,645	31.88%	97,794	57,149
Total Meters			7,193,247.63		294,068		1,094,113	800,045
335.00	(348.00)	Hydrants	11,280,788.02	5.04%	568,552	3.97%	447,847	(120,705)
TOTAL Trans & Distribution Plant			184,858,132.94	2.78%	5,141,146	3.47%	6,417,169	1,276,023
<u>General Plant</u>								
<u>Structures & Improvements</u>								
304.60	(390.10)	Office Structures	5,290,879.02	4.28%	226,450	2.78%	147,086	(79,364)
304.70	(390.20)	Stores, Shop & Garage Structures	2,543,990.90	5.29%	134,577	3.11%	79,118	(55,459)
304.80	(390.30)	Miscellaneous Structures	344,503.92	4.79%	16,502	2.15%	7,407	(9,095)
Total Structures & Improvements			8,179,373.84		377,529		233,611	(143,918)

Illinois - American Water Company

Table 1 Proforma
2 of 2

Summary of Original Cost of Utility Plant In Service as of December 31, 1998 and Related Annual Depreciation Expenses Under Present and Proposed Depreciation Rates

Acct. No.	Account Description	Original Cost 12-31-98	Present Rates		Proposed Rates		Net Change Depreciation Expense
			Rates %	Annual Accrual (e)=(c)*(d)	Rates %	Annual Accrual (g)=(c)*(f)	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(i)=(g)-(e)
Office Furniture & Equipment							
340.10	(391.10) Office Furniture	1,319,409.94	4.69%	61,880	4.46%	58,846	(3,034)
340.70	(391.26) PC Software	524,652.68	14.86%	77,963	22.45%	117,785	39,822
340.90	(391.30) Other Machinery & Equip. **	358,630.59	14.86%	53,293	10.34%	37,082	(16,211)
340.00	(391.00) Computers	3,506,699.41	12.86%	450,788	10.05%	352,373	(98,415)
340.50	(391.60) Mainframe & Other Computer Software	1,340,930.52	8.93%	119,752	11.21%	150,258	30,506
Total Account 340		7,050,323.14		763,676		716,344	(47,332)
Transportation Equipment							
341.10	(392.11) Light Trucks	2,770,927.95	18.15%	502,923	11.10%	307,573	(195,350)
341.20	(392.12) Heavy trucks	529,441.88	16.40%	86,828	7.36%	38,967	(47,861)
341.30	(392.20) Cars	822,441.79	34.94%	287,361	0.00% ***	0	(287,361)
341.40	(392.30) Others	53,113.66	10.43%	5,540	0.83%	441	(5,099)
Total Transportation Equipment		4,175,925.28		882,652		346,981	(535,671)
342.00	(393.00) Stores Equipment	121,090.84	3.27%	3,960	4.58%	5,546	1,586
343.00	(394.00) Tools, Shop & Garage Equipment	2,405,303.72	9.00%	216,477	3.06%	73,602	(142,875)
344.00	(395.00) Laboratory Equipment	638,103.71	4.70%	29,991	4.65%	29,672	(319)
345.00	(396.00) Power Operated Equipment	1,574,699.40	2.78%	43,777	6.98%	109,914	66,137
346.00	(397.00) Communication Equipment	1,251,468.85	13.88%	173,704	4.78%	59,820	(113,884)
347.00	(398.00) Miscellaneous Equipment	693,584.61	5.39%	37,384	2.39%	16,577	(20,807)
TOTAL General Plant		26,089,873.39	9.69%	2,529,150	6.10%	1,592,067	(937,083)
TOTAL Depreciable Plant		305,012,807.64	3.49%	10,632,851	3.73%	11,386,155	753,304
<u>NON-DEPRECIABLE PLANT</u>							
301.00	(301.00) Organization	88,864.98					
302.00	(302.00) Franchise & Consents	768.45					
303.00	(303.00) Land & Land Rights	1,013,229.32					
303.00	(310.00) Land & Land Rights	114,982.69					
303.00	(320.00) Land & Land Rights	606,919.67					
303.00	(330.00) Land & Land Rights	61,924.49					
303.00	(340.00) Land & Land Rights	1,343,003.93					
303.00	(389.10) Land & Land Rights	450,381.52					
TOTAL Non-Depreciable Plant		3,680,075.05					
TOTAL Utility Plant In Service		308,692,882.69					

* Proforma depreciation rates based upon replacement of
Alton Treatment Plant during 2000.

** Includes investment in account 340.50.

*** Account currently fully depreciated.

Illinois - American Water Company

Summary of Original Cost of Utility Plant in Service and Calculation of Annual Depreciation
Rates and Depreciation Expense Based Upon Utilization of Book Depreciation Reserve
and Average Remaining Lives of Utility Plant in Service as of December 31, 2000
(Proforma Calculation Based Upon Replacement of Alton Treatment Plant During 2000)

Acct. No. (a)	Account Description (b)	Original Cost 12-31-98 (c)	Estimated Original Cost 12-31-00 (d)	Estimated Future Net Salvage % (e)	Estimated Future Net Salvage Amount (f)=(d)*(e)	Original Cost Less Salvage (g)=(d)-(f)	Book Depreciation Reserve 12-31-98 (h)	Present Deprec. Rates % (i)	Two Years Annual Depreciation Expense (j)=(c)*((i)/100)*2	LESS: Alton Plant Retirements (k)	Est. Book Depreciation Reserve 12-31-00 (l)=(h)+(j)-(k)	Net Original Cost Less Book Reserve (m)=(g)-(l)	A.S.L./ Survivor Curve (n)	Average Remaining Life (o)	Annual Depreciation Annual (p)=(m)/(o)	Annual Depreciation Rate (q)=(p)/(d)
DEPRECIABLE PLANT																
304.10	(311.00 Structures & Improvements	1,786,747.66	5,407,568	-25%	(1,351,892)	6,759,459.53	165,940	5.01%	179,032	79,180	265,792	6,483,667.53	100-R2 *	45.3	143,348	2.65%
304.20	(321.00 Structures & Improvements	6,879,212.38	9,586,706.57	-25%	(2,396,677)	11,983,383.57	1,297,411	2.56%	352,216	595,785	1,053,842	10,929,541.57	60-L1 *	34.8	314,067	3.28%
311.20	(325.00 Electric Pumping Equipment	18,785,825.93	20,929,249.93	-20%	(4,185,850)	25,115,099.93	5,826,962	2.77%	1,040,724	2,396,376	4,511,310	20,603,789.93	35-R0.6	28.6	720,412	3.44%
304.30	(331.00 Structures & Improvements	24,280,834.77	36,682,654	-10%	(3,668,265)	40,350,919.14	3,277,854	2.82%	1,369,439	562,822	4,084,471	36,266,448.14	75-R1 *	40.9	886,710	2.42%
Water Treatment Equipment																
320.10	(332.10 Treatment Plant	23,348,960.96	30,511,968.86	-30%	(9,153,591)	39,665,559.86	8,093,064	3.91%	1,825,889	4,245,298	5,673,655	33,991,904.86	50-L0.5 *	30.3	1,121,845	3.68%
320.20	(332.20 Chemical Equipment	10,506,439.52	11,685,682.62	-10%	(1,168,568)	12,854,250.62	2,521,053	3.91%	821,804	416,461	2,928,206	9,926,044.62	14-S0.5	10.7	927,855	7.94%
	Total Account 320	33,855,400.48	42,197,651.48		(10,322,159)	52,519,810.48	10,614,117		2,647,493	4,661,749	8,599,861	43,919,949.48			2,049,700	

* Interim retirement rate. Life span method utilized. Service lives vary.

Illinois - American Water Company

Summary of Original Cost of Utility Plant in Service as of December 31, 1998
and Related Annual Depreciation Expenses Under Present and Proposed Depreciation Rates

Acct. No.		Account Description	Original	Present Rates		Proposed Rates		Net Change
			Cost	Rates	Annual	Rates	Annual	Depreciation
(a)		(b)	12-31-98	%	Accrual	%	Accrual	Expense
			(c)	(d)	(e)=(c)*(d)	(f)	(g)=(c)*(f)	(i)=(g)-(e)
<u>DEPRECIABLE PLANT</u>								
<u>Source of Supply</u>								
304.10	(311.00)	Structures & Improvements	1,786,747.66	5.01%	89,516	2.92%	52,173	(37,343)
305.00	(312.00)	Collecting & Impounding Reservoirs	39,033.82	2.24%	874	2.48%	968	94
306.00	(313.00)	Lakes, River & Other Intakes	2,151,108.53	1.75%	37,644	2.04%	43,883	6,239
307.00	(314.00)	Wells & Springs	651,793.06	1.41%	9,190	2.91%	18,967	9,777
309.00	(316.00)	Supply Mains	3,465,211.62	1.21%	41,929	1.49%	51,632	9,703
TOTAL Source of Supply			8,093,894.69	2.21%	179,153	2.07%	167,623	(11,530)
<u>Pumping Equipment</u>								
304.20	(321.00)	Structures & Improvements	6,879,212.38	2.56%	176,108	4.70%	323,323	147,215
310.00	(323.00)	Power Generation Equipment	1,198,050.81	2.77%	33,186	2.74%	32,827	(359)
311.20	(325.00)	Electric Pumping Equipment	18,785,625.93	2.77%	520,362	3.20%	601,140	80,778
311.30	(326.00)	Diesel Pumping Equipment	918,439.91	4.16%	38,207	2.26%	20,757	(17,450)
311.50	(328.00)	Other Pumping Equipment	53,342.34	13.26%	7,073	14.29%	7,623	550
TOTAL Pumping Equipment			27,834,671.37	2.78%	774,936	3.54%	985,670	210,734
<u>Water Treatment Plant</u>								
304.30	(331.00)	Structures & Improvements	24,280,834.77	2.82%	684,720	2.58%	626,446	(58,274)
320.00	(332.00)	Water Treatment Equipment	33,855,400.48	3.91%	1,323,746	6.48%	2,192,422	868,676
TOTAL Water Treatment			58,136,235.25	3.45%	2,008,466	4.85%	2,818,868	810,402
<u>Transmission & Distribution Plant</u>								
330.00	(342.00)	Distribution Reservoirs & Standpipes	5,989,965.23	1.47%	88,052	2.46%	147,353	59,301
331.00	(343.00)	Mains	112,420,988.43	1.95%	2,192,209	1.60%	1,798,283	(393,926)
333.00	(345.00)	Services	35,282,323.34	3.84%	1,354,841	6.49%	2,289,273	934,432
334.20	(347.00)	Meter Installations	12,690,820.29	5.07%	643,424	5.05%	640,300	(3,124)
334.42	(346.15)	Meters - Metal	6,886,490.09	3.68%	253,423	14.47%	996,319	742,896
334.43	(346.20)	Meters - Plastic	306,757.54	13.25%	40,645	31.88%	97,794	57,149
		Total Meters	7,193,247.63		294,068		1,094,113	800,045
335.00	(348.00)	Hydrants	11,280,788.02	5.04%	568,552	3.97%	447,847	(120,705)
TOTAL Trans & Distribution Plant			184,858,132.94	2.78%	5,141,146	3.47%	6,417,169	1,276,023
<u>General Plant</u>								
Structures & Improvements								
304.60	(390.10)	Office Structures	5,290,879.02	4.28%	226,450	2.78%	147,086	(79,364)
304.70	(390.20)	Stores, Shop & Garage Structures	2,543,990.90	5.29%	134,577	3.11%	79,118	(55,459)
304.80	(390.30)	Miscellaneous Structures	344,503.92	4.79%	16,502	2.15%	7,407	(9,095)
		Total Structures & Improvements	8,179,373.84		377,529		233,611	(143,918)

Illinois - American Water Company

Summary of Original Cost of Utility Plant in Service as of December 31, 1998 and Related Annual Depreciation Expenses Under Present and Proposed Depreciation Rates

Acct. No.	Account Description	Original	Present Rates		Proposed Rates		Net Change
		Cost	Rates	Annual	Rates	Annual	Depreciation
(a)	(b)	12-31-98	%	Accrual	%	Accrual	Expense
		(c)	(d)	(e)=(c)*(d)	(f)	(g)=(c)*(f)	(i)=(g)-(e)
Office Furniture & Equipment							
340.10	(391.10) Office Furniture	1,319,409.94	4.69%	61,880	4.46%	58,846	(3,034)
340.70	(391.26) PC Software	524,652.68	14.86%	77,963	22.45%	117,785	39,822
340.90	(391.30) Other Machinery & Equip. *	358,630.59	14.86%	53,293	10.34%	37,082	(16,211)
340.00	(391.00) Computers	3,506,699.41	12.86%	450,788	10.05%	352,373	(98,415)
340.60	(391.00) Mainframe & Other Computer Software	1,340,930.52	8.93%	119,752	11.21%	150,258	30,506
Total Account 340		7,050,323.14		763,676		716,344	(47,332)
Transportation Equipment							
341.10	(392.11) Light Trucks	2,770,927.95	18.15%	502,923	11.10%	307,573	(195,350)
341.20	(392.12) Heavy trucks	529,441.88	16.40%	86,828	7.36%	38,967	(47,861)
341.30	(392.20) Cars	822,441.79	34.94%	287,361	0.00% **	0	(287,361)
341.40	(392.30) Others	53,113.66	10.43%	5,540	0.83%	441	(5,099)
Total Transportation Equipment		4,175,925.28		882,652		346,981	(535,671)
342.00	(393.00) Stores Equipment	121,090.84	3.27%	3,960	4.58%	5,546	1,586
343.00	(394.00) Tools, Shop & Garage Equipment	2,405,303.72	9.00%	216,477	3.06%	73,602	(142,875)
344.00	(395.00) Laboratory Equipment	638,103.71	4.70%	29,991	4.65%	29,672	(319)
345.00	(396.00) Power Operated Equipment	1,574,699.40	2.78%	43,777	6.98%	109,914	66,137
346.00	(397.00) Communication Equipment	1,251,468.85	13.88%	173,704	4.78%	59,820	(113,884)
347.00	(398.00) Miscellaneous Equipment	693,584.61	5.39%	37,384	2.39%	16,577	(20,807)
TOTAL General Plant		26,089,873.39	9.69%	2,529,150	6.10%	1,592,067	(937,083)
TOTAL Depreciable Plant		305,012,807.64	3.49%	10,632,851	3.93%	11,981,397	1,348,546
<u>NON-DEPRECIABLE PLANT</u>							
301.00	(301.00) Organization	88,864.98					
302.00	(302.00) Franchise & Consents	768.45					
303.00	(303.00) Land & Land Rights	1,013,229.32					
303.00	(310.00) Land & Land Rights	114,982.69					
303.00	(320.00) Land & Land Rights	606,919.67					
303.00	(330.00) Land & Land Rights	61,924.49					
303.00	(340.00) Land & Land Rights	1,343,003.93					
303.00	(389.10) Land & Land Rights	450,381.52					
TOTAL Non-Depreciable Plant		3,680,075.05					
TOTAL Utility Plant in Service		308,692,882.69					

* Includes investment in account 340.50.

** Account currently fully depreciated.

Illinois - American Water Company

Summary of Original Cost of Utility Plant in Service as of December 31, 1998 and Related Annual Depreciation Expenses Under Present and Proposed Depreciation Rates

Acct. No.	Account Description	Original Cost 12-31-98	Present Rates		Proposed Rates		Net Change Depreciation Expense	
			Rates %	Annual Accrual (e)=(c)*(d)	Rates %	Annual Accrual (g)=(c)*(f)		
(a)	(b)	(c)	(d)	(e)=(c)*(d)	(f)	(g)=(c)*(f)	(i)=(g)-(e)	
<u>DEPRECIABLE PLANT</u>								
<u>Source of Supply</u>								
304.10	(311.00)	Structures & Improvements	1,786,747.66	5.01%	89,516	2.92%	52,173	(37,343)
305.00	(312.00)	Collecting & Impounding Reservoirs	39,033.82	2.24%	874	2.48%	968	94
306.00	(313.00)	Lakes, River & Other Intakes	2,151,108.53	1.75%	37,644	2.04%	43,883	6,239
307.00	(314.00)	Wells & Springs	651,793.06	1.41%	9,190	2.91%	18,967	9,777
309.00	(316.00)	Supply Mains	3,465,211.62	1.21%	41,929	1.49%	51,632	9,703
TOTAL Source of Supply			8,093,894.69	2.21%	179,153	2.07%	167,623	(11,530)
<u>Pumping Equipment</u>								
304.20	(321.00)	Structures & Improvements	6,879,212.38	2.56%	176,108	4.70%	323,323	147,215
310.00	(323.00)	Power Generation Equipment	1,198,050.81	2.77%	33,186	2.74%	32,827	(359)
<u>Pumping Equipment</u>								
311.20	(325.00)	Electric Pumping Equipment	18,785,625.93	2.77%	520,362	3.20%	601,140	80,778
311.30	(326.00)	Diesel Pumping Equipment	918,439.91	4.16%	38,207	2.26%	20,757	(17,450)
311.50	(328.00)	Other Pumping Equipment	53,342.34	13.26%	7,073	14.29%	7,623	550
Total Account 311			19,757,408.18	2.86%	565,642	3.19%	629,520	63,878
TOTAL Pumping Equipment			27,834,671.37	2.78%	774,936	3.54%	985,670	210,734
<u>Water Treatment Plant</u>								
304.30	(331.00)	Structures & Improvements	24,280,834.77	2.82%	684,720	2.58%	626,446	(58,274)
<u>Water Treatment Equipment</u>								
320.10	(332.10)	Treatment Plant	23,348,960.96	3.91%	912,944	5.97%	1,393,933	480,989
320.20	(332.20)	Chemical Equipment	10,506,439.52	3.91%	410,802	7.60%	798,489	387,687
Total Account 320			33,855,400.48	3.91%	1,323,746	6.48%	2,192,422	868,676
TOTAL Water Treatment			58,136,235.25	3.45%	2,008,466	4.85%	2,818,868	810,402
<u>Transmission & Distribution Plant</u>								
330.00	(342.00)	Distribution Reservoirs & Standpipes	5,989,965.23	1.47%	88,052	2.46%	147,353	59,301
<u>Transmission & Distribution Mains</u>								
331.11	(343.11)	CI & DI, 4" & Under	4,596,081.79	1.95%	89,624	2.27%	104,331	14,707
331.12	(343.12)	CI & DI, 6" - 8"	38,349,909.60	1.95%	747,823	1.49%	571,414	(176,409)
331.13	(343.13)	CI & DI, 10" - 16"	32,908,838.01	1.95%	641,722	1.49%	490,342	(151,380)
331.14	(343.14)	CI & DI, 18" & Over	9,074,901.34	1.95%	176,961	1.36%	123,419	(53,542)
331.21	(343.21)	ASB Cement,4" & Under	27,809.20	1.95%	542	3.03%	843	301
331.22	(343.22)	ASB Cement,6" - 8"	10,670,808.59	1.95%	208,081	1.70%	181,404	(26,677)
331.23	(343.23)	ASB Cement,10" - 16"	3,663,320.81	1.95%	71,435	1.70%	62,276	(9,159)
331.31	(343.31)	Steel, 4" & Under	236,946.79	1.95%	4,620	3.82%	9,051	4,431
331.32	(343.32)	Steel, 6" - 8"	3,473.63	1.95%	68	2.99%	104	36
331.33	(343.33)	Steel, 10" - 16"	373,591.29	1.95%	7,285	1.59%	5,940	(1,345)

* Includes investment in account 340.50.

** Account currently fully depreciated.

Illinois - American Water Company

**Summary of Original Cost of Utility Plant in Service as of December 31, 1998
and Related Annual Depreciation Expenses Under Present and Proposed Depreciation Rates**

Acct. No.	Account Description	Original Cost 12-31-98	Present Rates		Proposed Rates		Net Change Depreciation Expense
			Rates %	Annual Accrual (e)=(c)*(d)	Rates %	Annual Accrual (g)=(c)*(f)	
(a)	(b)	(c)	(d)	(e)=(c)*(d)	(f)	(g)=(c)*(f)	(h)=(g)-(e)
331.34 (343.34)	Steel, 18" & Over	763,209.93	1.95%	14,883	1.51%	11,524	(3,359)
331.43 (343.43)	Concrete, 10" - 16"	170,589.10	1.95%	3,326	1.55%	2,644	(682)
331.44 (343.44)	Concrete, 18" & Over	3,571,598.04	1.95%	69,646	1.45%	51,788	(17,858)
331.51 (343.51)	Copper, 4" & Under	303,382.69	1.95%	5,916	2.03%	6,159	243
331.61 (343.61)	Plastic, 4" & Under	730,947.32	1.95%	14,253	1.79%	13,084	(1,169)
331.62 (343.62)	Plastic, 6" - 8"	633,006.74	1.95%	12,344	1.78%	11,268	(1,076)
331.63 (343.63)	Plastic, 10" - 16"	76,894.59	1.95%	1,499	1.69%	1,300	(199)
331.71 (343.71)	Valves, 4" & Under	372,150.38	1.95%	7,257	2.88%	10,718	3,461
331.72 (343.72)	Valves, 6" - 8"	2,667,282.40	1.95%	52,012	2.39%	63,748	11,736
331.73 (343.73)	Valves, 10" - 16"	1,325,941.99	1.95%	25,856	2.38%	31,557	5,701
331.74 (343.74)	Valves, 18" & Over	1,053,554.40	1.95%	20,544	2.39%	25,180	4,636
331.75 (343.75)	Valve Boxes	832,908.68	1.95%	16,242	2.40%	19,990	3,748
331.80 (343.80)	Manholes, Pits & Vaults	13,841.12	1.95%	270	1.44%	199	(71)
	Total Account 331	112,420,988.43	1.95%	2,192,209	1.60%	1,798,283	(393,926)
Services							
333.10 (345.10)	Services - 1" & Under	31,864,108.57	3.84%	1,223,582	6.44%	2,052,049	828,467
333.20 (345.20)	Services - Over 1"	3,418,214.77	3.84%	131,259	6.94%	237,224	105,965
	Total Account 333	35,282,323.34	3.84%	1,354,841	6.49%	2,289,273	934,432
Meters & Meter Installations							
Meter Installations							
334.21 347.10	Installation - 1" & Under	10,223,931.45	5.07%	518,353	5.17%	528,577	10,224
334.22 347.20	Installation - Over 1"	1,455,233.15	5.07%	73,780	4.98%	72,471	(1,309)
334.23 347.30	Vaults	1,011,655.69	5.07%	51,291	3.88%	39,252	(12,039)
	Total Meter Installations	12,690,820.29	5.07%	643,424	5.05%	640,300	(3,124)
Meters							
334.41 (346.10)	Meters - Metal 1" & Under	6,132,018.80	3.68%	225,658	14.23%	872,586	646,928
334.42 (346.15)	Meters - Metal Over 1"	754,471.29	3.68%	27,765	16.40%	123,733	95,968
	Total Metal Meters	6,886,490.09	3.68%	253,423	14.47%	996,319	742,896
334.43 (346.20)	Meters - Plastic	306,757.54	13.25%	40,645	31.88%	97,794	57,149
	Total Meters	7,193,247.63	4.09%	294,068	15.21%	1,094,113	800,045
	Total Account 334	19,884,067.92	4.71%	937,492	8.72%	1,734,413	796,921
335.00 (348.00)	Hydrants	11,280,788.02	5.04%	568,552	3.97%	447,847	(120,705)
	TOTAL Transmission & Distri.	184,858,132.94	2.78%	5,141,146	3.47%	6,417,169	1,276,023
General Plant							
Structures & Improvements							
304.60 (390.10)	Office Structures	5,290,879.02	4.28%	226,450	2.78%	147,086	(79,364)
304.70 (390.20)	Stores, Shop & Garage Structures	2,543,990.90	5.29%	134,577	3.11%	79,118	(55,459)
304.80 (390.30)	Miscellaneous Structures	344,503.92	4.79%	16,502	2.15%	7,407	(9,095)
	Subtotal Account 304	8,179,373.84	4.62%	377,529	2.86%	233,611	(143,918)

* Includes investment in account 340.50.

** Account currently fully depreciated.

Illinois - American Water Company

Summary of Original Cost of Utility Plant in Service as of December 31, 1998
and Related Annual Depreciation Expenses Under Present and Proposed Depreciation Rates

Acct. No.	Account Description	Original	Present Rates		Proposed Rates		Net Change Depreciation Expense
		Cost 12-31-98	Rates %	Annual Accrual	Rates %	Annual Accrual	
(a)	(b)	(c)	(d)	(e)=(c)*(d)	(f)	(g)=(c)*(f)	(i)=(g)-(e)
Office Furniture & Equipment							
340.10 (391.10)	Office Furniture	1,319,409.94	4.69%	61,880	4.46%	58,846	(3,034)
340.70 (391.26)	PC Software	524,652.68	14.86%	77,963	22.45%	117,785	39,822
340.90 (391.30)	Other Machinery & Equip. *	358,630.59	14.86%	53,293	10.34%	37,082	(16,211)
340.20 (391.21)	Personal Computers & Peripheral Eq.	1,598,081.63	12.69%	202,797	-0.61% **	(9,748)	(212,545)
340.30 (391.23)	Other Computer Equip.	266,699.39	14.86%	39,632	29.58%	78,890	39,258
340.40 (391.20)	Mainframe Computers	1,641,918.39	12.69%	208,359	17.25%	283,231	74,872
	Total Computers	3,506,699.41	12.86%	450,788	10.05%	352,373	(98,415)
340.60 (391.25)	Mainframe Computer Software	1,256,086.85	8.53%	107,144	10.91%	137,039	29,895
340.80 (391.28)	Other Software	84,843.67	14.86%	12,608	15.58%	13,219	611
	Total Mainframe & Other Computer Software	1,340,930.52	8.93%	119,752	11.21%	150,258	30,506
	Total Account 340	7,050,323.14	10.83%	763,676	10.16%	716,344	(47,332)
Transportation Equipment							
341.10 (392.11)	Light Trucks	2,770,927.95	18.15%	502,923	11.10%	307,573	(195,350)
341.20 (392.12)	Heavy trucks	529,441.88	16.40%	86,828	7.36%	38,967	(47,861)
341.30 (392.20)	Cars	822,441.79	34.94%	287,361	0.00% **	0	(287,361)
341.40 (392.30)	Others	53,113.66	10.43%	5,540	0.83%	441	(5,099)
	Total Account 341	4,175,925.28	21.14%	882,652	8.31%	346,981	(535,671)
342.00 (393.00)	Stores Equipment	121,090.84	3.27%	3,960	4.58%	5,546	1,586
343.00 (394.00)	Tools, Shop & Garage Equipment	2,405,303.72	9.00%	216,477	3.06%	73,602	(142,875)
344.00 (395.00)	Laboratory Equipment	638,103.71	4.70%	29,991	4.65%	29,672	(319)
345.00 (396.00)	Power Operated Equipment	1,574,699.40	2.78%	43,777	6.98%	109,914	66,137
346.00 (397.00)	Communication Equipment	1,251,468.85	13.88%	173,704	4.78%	59,820	(113,884)
347.00 (398.00)	Miscellaneous Equipment	693,584.61	5.39%	37,384	2.39%	16,577	(20,807)
	TOTAL General Plant	26,089,873.39	9.69%	2,529,150	6.10%	1,592,067	(937,083)
	TOTAL Depreciable Plant	305,012,807.64	3.49%	10,632,851	3.93%	11,981,397	1,348,546
<u>NON-DEPRECIABLE PLANT</u>							
301.00 (301.00)	Organization	88,864.98					
302.00 (302.00)	Franchise & Consents	768.45					
303.00 (303.00)	Land & Land Rights	1,013,229.32					
303.00 (310.00)	Land & Land Rights	114,982.69					
303.00 (320.00)	Land & Land Rights	606,919.67					
303.00 (330.00)	Land & Land Rights	61,924.49					
303.00 (340.00)	Land & Land Rights	1,343,003.93					
303.00 (389.10)	Land & Land Rights	450,381.52					
	TOTAL Non-Depreciable Plant	3,680,075.05					
	TOTAL Utility Plant in Service	308,692,882.69					

* Includes investment in account 340.50.

** Account currently fully depreciated.

Table 2

Illinois - American Water Company

Summary of Original Cost of Utility Plant in Service and Calculation of Annual Depreciation Rates and Depreciation Expense Based Upon Utilization of Book Depreciation Reserve and Average Remaining Lives of Utility Plant in Service as of December 31, 1998

Acct. No. (a)	Account Description (b)	Original Cost 12-31-98 (c)	Estimated Future Net Salvage % (d)	Amount (e)=(c)*(d)	Original Cost Less Salvage (f)=(c)-(e)	Book Depreciation Reserve (g)	Net Original Cost Less Book Reserve (h)=(f)-(g)	A.S.L./ Survivor Curve (i)	Average Remaining Life (j)	Annual Depreciation Accrual (k)=(h)/(j)	Annual Depreciation Rate (l)=(k)/(f)
DEPRECIABLE PLANT											
<u>Source of Supply</u>											
304.10	(311.00) Structures & Improvements	1,786,747.66	-25%	(446,687)	2,233,434.66	165,940	2,067,494.66	100-R2 *	39.6	52,209	2.92%
305.00	(312.00) Collecting & Impounding Reservoirs	39,033.82	-10%	(3,903)	42,936.82	8,028	34,908.82	80-L1 *	36.1	967	2.48%
306.00	(313.00) Lakes, River & Other Intakes	2,151,108.53	-15%	(322,666)	2,473,774.53	547,188	1,926,586.53	75-R3	43.9	43,886	2.04%
307.00	(314.00) Wells & Springs	651,793.06	-30%	(195,538)	847,331.06	169,272	678,059.06	50-R2	35.7	18,993	2.91%
309.00	(316.00) Supply Mains	3,465,211.62	-15%	(519,782)	3,984,993.62	1,190,759	2,794,234.62	85-R2	54.3	51,459	1.49%
	TOTAL Source of Supply	8,093,894.69		(1,488,576)	9,582,470.69	2,081,187	7,501,283.69			167,514	2.07%
<u>Pumping Equipment</u>											
304.20	(321.00) Structures & Improvements	6,879,212.38	-25%	(1,719,803)	8,599,015.38	1,297,411	7,301,604.38	60-L1 *	22.6	323,080	4.70%
310.00	(323.00) Power Generation Equipment	1,198,050.81	-25%	(299,513)	1,497,563.81	499,023	998,540.81	45-R4	30.4	32,847	2.74%
<u>Pumping Equipment</u>											
311.20	(325.00) Electric Pumping Equipment	18,785,625.93	-20%	(3,757,125)	22,542,750.93	5,826,962	16,715,788.93	35-R0.5	27.8	601,287	3.20%
311.30	(326.00) Diesel Pumping Equipment	918,439.91	-10%	(91,844)	1,010,283.91	475,842	534,441.91	40-R2	25.7	20,795	2.28%
311.50	(328.00) Other Pumping Equipment	53,342.34	-10%	(5,334)	58,676.34	(20,588)	79,262.34	45-R3	10.4	7,621	14.29%
	Total Account 311	19,757,408.18		(3,854,303)	23,611,711.18	6,282,218	17,329,493.18			629,703	3.19%
	TOTAL Pumping Equipment	27,834,671.37		(5,873,619)	33,708,290.37	8,078,652	25,629,638.37			985,630	3.54%
<u>Water Treatment Plant</u>											
304.30	(331.00) Structures & Improvements	24,280,834.77	-10%	(2,428,083)	26,708,917.77	3,277,854	23,431,063.77	75-R1 *	37.4	626,499	2.58%
<u>Water Treatment Equipment</u>											
320.10	(332.10) Treatment Plant	23,053,266.84	-30%	(6,915,980)	29,969,246.84	8,093,064	21,876,182.84	50-L0.5 *	15.9	1,375,861	5.97%
320.20	(332.20) Chemical Equipment	10,802,133.64	-10%	(1,080,213)	11,882,346.64	2,521,053	9,361,293.64	14-S0.5	11.4	821,166	7.60%
	Total Account 320	33,855,400.48		(7,996,193)	41,851,593.48	10,614,117	31,237,476.48			2,197,027	6.49%
	TOTAL Water Treatment	58,136,235.25		(10,424,276)	68,560,511.25	13,891,971	54,668,540.25			2,823,526	4.86%
<u>Transmission & Distribution Plant</u>											
330.00	(342.00) Distribution Reservoirs & Standpipes	5,989,965.23	-15%	(898,495)	6,888,460.23	1,944,115	4,944,345.23	90-R2 *	33.6	147,153	2.46%

* Intern retirement rate. Life span method utilized. Service lives vary.

** Includes investment in account 340.50.

*** Account currently fully depreciated

Illinois - American Water Company

Summary of Original Cost of Utility Plant in Service and Calculation of Annual Depreciation Rates and Depreciation Expense Based Upon Utilization of Book Depreciation Reserve and Average Remaining Lives of Utility Plant in Service as of December 31, 1998

Acct. No.	Account Description	Original Cost 12-31-98	Estimated Future Net Salvage % Amount (d) (e)=(c)*(d)	Original Cost Less Salvage (f)=(c)-(e)	Book Depreciation Reserve (g)	Net Original Cost Less Book Reserve (h)=(f)-(g)	A.S.L./ Survivor Curve (i)	Average Remaining Life (j)	Annual Depreciation Accrual (k)=(h)/(j)	Annual Depreciation Rate (l)=(k)/(f)
(a)	(b)	(c)	(d)	(e)=(c)*(d)	(f)=(c)-(e)	(h)=(f)-(g)	(i)	(j)	(k)=(h)/(j)	(l)=(k)/(f)
Transmission & Distribution Mains										
331.11	(343.11) CI & DI, 4" & Under	4,596,081.79	-40%	(1,838,433)	6,434,514.79	2,424,809	65-R1.5	38.5	104,148	2.27%
331.12	(343.12) CI & DI, 6" - 8"	38,349,909.60	-40%	(15,339,964)	53,689,873.60	7,379,432	95-R2.5	80.9	572,441	1.49%
331.13	(343.13) CI & DI, 10" - 16"	32,908,838.01	-40%	(13,163,535)	46,072,373.01	5,512,048	95-R2.5	82.7	490,451	1.49%
331.14	(343.14) CI & DI, 18" & Over	9,074,901.34	-40%	(3,629,961)	12,704,862.34	2,361,835	105-R4	83.9	123,278	1.36%
331.21	(343.21) ASB Cement, 4" & Under	27,809.20	-40%	(11,124)	38,933.20	19,014	50-R3	23.6	844	3.03%
331.22	(343.22) ASB Cement, 6" - 8"	10,670,808.59	-40%	(4,268,323)	14,939,131.59	4,327,802	85-R3	58.4	181,701	1.70%
331.23	(343.23) ASB Cement, 10" - 16"	3,663,320.81	-40%	(1,465,328)	5,128,648.81	1,355,663	85-R2.5	60.7	82,158	1.70%
331.31	(343.31) Steel, 4" & Under	236,946.79	-40%	(94,779)	331,725.79	232,194	45-R1	11.0	9,048	3.82%
331.32	(343.32) Steel, 6" - 8"	3,473.63	-40%	(1,389)	4,862.63	2,084	50-R2.5	26.8	104	2.99%
331.33	(343.33) Steel, 10" - 16"	373,591.29	-40%	(149,437)	523,028.29	102,536	90-R3	70.9	5,931	1.59%
331.34	(343.34) Steel, 18" & Over	763,209.93	-40%	(305,284)	1,068,493.93	265,420	95-R3	69.5	11,555	1.51%
331.43	(343.43) Concrete, 10" - 16"	170,589.10	-40%	(68,236)	238,825.10	90,725	95-R4	56.0	2,645	1.55%
331.44	(343.44) Concrete, 18" & Over	3,571,598.04	-40%	(1,428,839)	5,000,237.04	1,571,656	100-R4	66.1	51,870	1.45%
331.51	(343.51) Copper, 4" & Under	303,382.69	-40%	(121,353)	424,735.69	62,449	70-R3	58.9	6,151	2.03%
331.61	(343.61) Plastic, 4" & Under	730,947.32	-40%	(292,379)	1,023,326.32	227,013	80-R3	60.8	13,097	1.79%
331.62	(343.62) Plastic, 6" - 8"	633,006.74	-40%	(253,203)	886,209.74	146,644	80-R3	65.7	11,257	1.78%
331.63	(343.63) Plastic, 10" - 16"	76,894.59	-40%	(30,758)	107,652.59	25,366	85-R3	63.4	1,298	1.69%
331.71	(343.71) Valves, 4" & Under	372,150.38	-40%	(148,860)	521,010.38	132,066	50-R2	36.3	10,715	2.88%
331.72	(343.72) Valves, 6" - 8"	2,667,282.40	-40%	(1,066,913)	3,734,195.40	853,175	60-R3	45.2	63,739	2.39%
331.73	(343.73) Valves, 10" - 16"	1,325,941.99	-40%	(530,377)	1,856,318.99	355,060	60-R3	47.6	31,539	2.38%
331.74	(343.74) Valves, 18" & Over	1,053,554.40	-40%	(421,422)	1,474,976.40	338,052	60-R3	45.1	25,209	2.39%
331.75	(343.75) Valve Boxes	832,908.68	-40%	(333,163)	1,166,071.68	292,134	60-R3	43.8	19,953	2.40%
331.80	(343.80) Manholes, Pits & Vaults	13,841.12	-40%	(5,536)	19,377.12	4,583	100-R3	74.5	199	1.44%
	Total Account 331	112,420,988.43		(44,968,396)	157,389,384.43	28,081,760			1,799,331	1.60%
Services										
333.10	(345.10) Services - 1" & Under	31,864,108.57	-300%	(95,592,326)	127,456,434.57	8,518,207	75-R3	58.0	2,050,659	6.44%
333.20	(345.20) Services - Over 1"	3,418,214.77	-300%	(10,254,644)	13,672,858.77	939,305	70-R3	53.7	237,124	6.94%
	Total Account 333	35,282,323.34		(105,846,970)	141,129,293.34	9,457,512			2,287,783	6.48%
Meters & Meter Installations										
Meter Installations										
334.21	347.10 Installation - 1" & Under	10,223,931.45	-250%	(25,559,829)	35,783,760.45	4,807,821	75-R3	58.6	528,600	5.17%
334.22	347.20 Installation - Over 1"	1,455,233.15	-250%	(3,638,083)	5,093,316.15	458,490	75-R1.5	64.0	72,419	4.98%
334.23	347.30 Vaults	1,011,655.69	-250%	(2,529,139)	3,540,794.69	263,055	95-R2.5	83.5	39,254	3.88%
	Total Meter Installations	12,690,820.29		(31,727,051)	44,417,871.29	5,529,366			640,273	5.05%

* Intern retirement rate. Life span method utilized. Service lives vary.

** Includes investment in account 340.50.

*** Account currently fully depreciated.

Illinois - American Water Company

Summary of Original Cost of Utility Plant in Service and Calculation of Annual Depreciation Rates and Depreciation Expense Based Upon Utilization of Book Depreciation Reserve and Average Remaining Lives of Utility Plant in Service as of December 31, 1998

Acct. No.	Account Description	Original Cost 12-31-98	Estimated Future Net Salvage %	Amount	Original Cost Less Salvage	Book Depreciation Reserve	Net Original Cost Less Book Reserve	A.S.L./ Survivor Curve	Average Remaining Life	Annual Depreciation Accrual	Annual Depreciation Rate
(a)	(b)	(c)	(d)	(e)=(c)*(d)	(f)=(c)-(e)	(g)	(h)=(f)-(g)	(i)	(j)	(k)=(h)/(j)	(l)=(k)/(c)
Meters											
334.41	(346.10) Meters - Metal 1" & Under	6,132,018.80	5%	306,601	5,825,417.80	(197,454)	6,022,872.06	11-R3	6.9	872,880	14.23%
334.42	(346.15) Meters - Metal Over 1"	754,471.29	5%	37,724	716,747.29	(25,548)	742,295.03	10-R1.5	6.0	123,716	16.40%
	Total Metal Meters	6,886,490.09		344,325	6,542,165.09	(223,002)	6,765,167.09			996,596	14.47%
334.43	(346.20) Meters - Plastic	306,757.54	1%	3,068	303,689.54	147,234	156,455.54	10-R2	1.6	97,785	31.88%
	Total Meters	7,193,247.63		347,393	6,845,854.63	(75,768)	6,921,622.63			1,094,381	15.21%
	Total Account 334	19,884,087.92		(31,379,658)	51,263,725.92	5,453,598	45,810,127.92			1,734,654	8.72%
335.00	(348.00) Hydrants	11,280,788.02	-100%	(11,280,788)	22,561,576.02	4,166,638	18,394,940.02	55-R2.5	41.1	447,565	3.97%
	TOTAL Transmission & Distri.	184,858,132.94		(194,374,307)	379,232,439.94	49,103,621	330,128,818.94			6,416,486	3.47%
General Plant											
Structures & Improvements											
304.80	(390.10) Office Structures	5,290,879.02	5%	264,544	5,026,335.02	1,523,128	3,503,207.02	60-R2 *	23.8	147,194	2.78%
304.70	(390.20) Stores, Shop & Garage Structures	2,543,990.90	-15%	(381,599)	2,925,589.90	1,143,326	1,782,263.90	75-R1.5 *	22.5	79,212	3.11%
304.80	(390.30) Miscellaneous Structures	344,503.92	-10%	(34,450)	378,953.92	137,918	241,035.92	40-L0	32.6	7,394	2.15%
	Subtotal Account 304	8,179,373.84		(151,505)	8,330,878.84	2,804,372	5,526,506.84			233,800	2.86%
Office Furniture & Equipment											
340.10	(391.10) Office Furniture	1,319,409.94	0%	0	1,319,409.94	372,540	946,869.94	22-L1	16.1	58,812	4.46%
340.70	(391.26) PC Software	524,652.68	0%	0	524,652.68	218,439	306,213.68	5-L3	2.6	117,774	22.45%
340.90	(391.30) Other Machinery & Equip. **	358,630.59	0%	0	358,630.59	143,574	215,056.59	9-L0.5	5.8	37,079	10.34%
340.20	(391.21) Personal Computers & Peripheral Eq.	1,598,081.63	0%	0	1,598,081.63	1,639,684	(41,602.38)	6-L1.5	4.3	(9,675)	-0.61%
340.30	(391.23) Other Computer Equip.	266,699.39	0%	0	266,699.39	6,326	260,373.39	6-R2.5	3.3	78,901	29.58%
340.40	(391.20) Mainframe Computers	1,641,918.39	5%	82,098	1,559,822.39	2,117	1,557,705.22	8-L2	5.5	283,219	17.25%
	Total Computers	3,508,699.41		82,098	3,424,603.41	1,648,127.18	1,776,476.23			352,445	10.05%
340.60	(391.25) Mainframe Computer Software	1,256,088.85	0%	0	1,256,088.85	420,096	835,990.74	8-R3	8.1	137,048	10.91%
340.80	(391.28) Other Software	84,843.67	0%	0	84,843.67	39,894	44,949.67	7-R4	3.4	13,220	15.58%
	Total Mainframe & Other Computer Software	1,340,930.52		0	1,340,931	459,990	880,940			150,268	11.21%
	Total Account 340	7,050,323.14		82,096.00	6,968,227.14	2,842,670.29	4,125,556.85			716,378.00	10.16%
Transportation Equipment											
341.10	(392.11) Light Trucks	2,770,927.95	30%	831,278	1,939,649.95	1,109,223	830,426.95	5-R2.5	2.7	307,566	11.10%
341.20	(392.12) Heavy trucks	529,441.88	25%	132,360	397,081.88	233,481	163,600.88	8-R3	4.2	38,953	7.36%
341.30	(392.20) Cars	822,441.79	25%	205,610	616,831.79	1,004,586	(387,754.21)	4-L3	2.2	***	0.00%
341.40	(392.30) Others	53,113.66	0%	0	53,113.66	43,724	9,389.66	30-R3	21.2	443	0.83%
	Total Account 341	4,175,925.28		1,169,248	3,006,677.28	2,391,014	615,663.28			346,982	8.31%

* Intern retirement rate. Life span method utilized. Service lives vary.

** Includes investment in account 340.50.

*** Account currently fully depreciated.

Illinois - American Water Company

Summary of Original Cost of Utility Plant in Service and Calculation of Annual Depreciation Rates and Depreciation Expense Based Upon Utilization of Book Depreciation Reserve and Average Remaining Lives of Utility Plant in Service as of December 31, 1998

Acct. No.	Account Description	Original Cost 12-31-98	Estimated Future Net Salvage		Original Cost Less Salvage	Book Depreciation Reserve	Net Original Cost Less Book Reserve	A.S.L./ Survivor Curve	Average Remaining Life	Annual Depreciation Accrual	Annual Depreciation Rate
			%	Amount							
(a)	(b)	(c)	(d)	(e)=(c)*(d)	(f)=(c)-(e)	(g)	(h)=(f)-(g)	(i)	(j)	(k)=(h)/(i)	(l)=(k)/(c)
342.00	(393.00) Stores Equipment	121,090.84	0%	0	121,090.84	45,042	76,048.84	22-L2	13.7	5,551	4.58%
343.00	(394.00) Tools, Shop & Garage Equipment	2,405,303.72	2%	48,106	2,357,197.72	1,047,852	1,309,345.72	22-L0	17.8	73,559	3.06%
344.00	(395.00) Laboratory Equipment	638,103.71	0%	0	638,103.71	160,030	478,073.71	20-R1	16.1	29,694	4.65%
345.00	(396.00) Power Operated Equipment	1,574,699.40	35%	551,145	1,023,554.40	352,955	670,599.40	10-L2	6.1	109,934	6.98%
346.00	(397.00) Communication Equipment	1,251,468.85	0%	0	1,251,468.85	820,636	430,832.85	11-R1	7.2	59,838	4.78%
347.00	(398.00) Miscellaneous Equipment	693,584.61	0%	0	693,584.61	268,402	425,182.61	30-L0.5	25.7	16,544	2.39%
	TOTAL General Plant	26,089,873.39		1,699,090	24,390,783.39	10,732,973	13,657,810.10			1,592,260	6.10%
	TOTAL Depreciable Plant	305,012,807.64		(210,461,688)	515,474,495.64	83,888,404	431,586,091.35			11,985,416	3.93%
	<u>NON-DEPRECIABLE PLANT</u>										
301.00	(301.00) Organization	88,864.98									
302.00	(302.00) Franchise & Consents	768.45									
303.00	(303.00) Land & Land Rights	1,013,229.32									
303.00	(310.00) Land & Land Rights	114,982.69									
303.00	(320.00) Land & Land Rights	806,919.67									
303.00	(330.00) Land & Land Rights	61,924.49									
303.00	(340.00) Land & Land Rights	1,343,003.93									
303.00	(389.10) Land & Land Rights	450,381.52									
	TOTAL Non-Depreciable Plant	3,680,075.05									
	TOTAL Utility Plant in Service	308,692,882.69									

* Interim retirement rate. Life span method utilized. Service lives vary.

** Includes Investment in account 340.50.

*** Account currently fully depreciated.

Illinois - American Water Company

Summary of Original Cost of Utility Plant in Service and the
Allocation of Book Depreciation Reserve at December 31, 1998
Based Upon the Calculation Reserve at December 31, 1998

Acct. No.	Account Description	Original Cost 12-31-98	Estimated Future Net Salvage %	A.S.L./ Survivor Curve	Calculated Depreciation Reserve 12-31-98	Allocated Depreciation Reserve Per Books 12-31-98
<u>DEPRECIABLE PLANT</u>						
<u>Water Treatment Plant</u>						
<u>Water Treatment Equipment</u>						
320.10 (332.10)	Treatment Plant	23,053,266.84	-30%	50-L0.5 *	9,584,402	8,093,064
320.20 (332.20)	Chemical Equipment	10,802,133.64	-10%	14-S0.5	2,985,617	2,521,053
	Total Account 320	33,855,400.48			12,570,019	10,614,117
<u>Transmission & Distribution Plant</u>						
<u>Transmission & Distribution Mains</u>						
331.11 (343.11)	CI & DI, 4" & Under	4,596,081.79	-40%	65-R1.5	2,619,013	2,424,809
331.12 (343.12)	CI & DI, 6" - 8"	38,349,909.60	-40%	95-R2.5	7,970,452	7,379,432
331.13 (343.13)	CI & DI, 10" - 16"	32,908,838.01	-40%	95-R2.5	5,953,510	5,512,048
331.14 (343.14)	CI & DI, 18" & Over	9,074,901.34	-40%	105-R4	2,550,995	2,361,835
331.21 (343.21)	ASB Cement, 4" & Under	27,809.20	-40%	50-R3	20,537	19,014
331.22 (343.22)	ASB Cement, 6" - 8"	10,670,808.59	-40%	85-R3	4,674,417	4,327,802
331.23 (343.23)	ASB Cement, 10" - 16"	3,663,320.81	-40%	85-R2.5	1,464,238	1,355,663
331.31 (343.31)	Steel, 4" & Under	236,946.79	-40%	45-R1	250,790	232,194
331.32 (343.32)	Steel, 6" - 8"	3,473.63	-40%	50-R2.5	2,251	2,084
331.33 (343.33)	Steel, 10" - 16"	373,591.29	-40%	90-R3	110,748	102,536
331.34 (343.34)	Steel, 18" & Over	763,209.93	-40%	95-R3	286,678	265,420
331.43 (343.43)	Concrete, 10" - 16"	170,589.10	-40%	95-R4	97,991	90,725
331.44 (343.44)	Concrete, 18" & Over	3,571,598.04	-40%	100-R4	1,697,530	1,571,656
331.51 (343.51)	Copper, 4" & Under	303,382.69	-40%	70-R3	67,451	62,449
331.61 (343.61)	Plastic, 4" & Under	730,947.32	-40%	80-R3	245,195	227,013
331.62 (343.62)	Plastic, 6" - 8"	633,006.74	-40%	80-R3	158,389	146,644
331.63 (343.63)	Plastic, 10" - 16"	76,894.59	-40%	85-R3	27,398	25,366
331.71 (343.71)	Valves, 4" & Under	372,150.38	-40%	50-R2	142,643	132,066
331.72 (343.72)	Valves, 6" - 8"	2,667,282.40	-40%	60-R3	921,506	853,175
331.73 (343.73)	Valves, 10" - 16"	1,325,941.99	-40%	60-R3	383,497	355,060
331.74 (343.74)	Valves, 18" & Over	1,053,554.40	-40%	60-R3	365,127	338,052
331.75 (343.75)	Valve Boxes	832,908.68	-40%	60-R3	315,531	292,134
331.80 (343.80)	Manholes, Pits & Vaults	13,841.12	-40%	100-R3	4,950	4,583
	Total Account 331	112,420,988.43			30,330,837	28,081,760
<u>Services</u>						
333.10 (345.10)	Services - 1" & Under	31,864,108.57	-300%	75-R3	28,922,448	8,518,207
333.20 (345.20)	Services - Over 1"	3,418,214.77	-300%	70-R3	3,189,288	939,305
	Total Account 333	35,282,323.34			32,111,736	9,457,512

Illinois - American Water Company

Summary of Original Cost of Utility Plant in Service and the
Allocation of Book Depreciation Reserve at December 31, 1998
Based Upon the Calculation Reserve at December 31, 1998

Acct. No.	Account Description	Original Cost 12-31-98	Estimated Future Net Salvage %	A.S.L./ Survivor Curve	Calculated Depreciation Reserve 12-31-98	Allocated Depreciation Reserve Per Books 12-31-98
Meters & Meter Installations						
Meter Installations						
334.21	347.10 Installation - 1" & Under	10,223,931.45	-250%	75-R3	7,846,945	4,807,821
334.22	347.20 Installation - Over 1"	1,455,233.15	-250%	75-R1.5	748,311	458,490
334.23	347.30 Vaults	1,011,655.69	-250%	95-R2.5	429,337	263,055
	Total Meter Installations	12,690,820.29			9,024,593	5,529,366
Meters						
334.41	(346.10) Meters - Metal 1" & Under	6,132,018.80	5%	11-R3	2,233,556	(197,454)
334.42	(346.15) Meters - Metal Over 1"	754,471.29	5%	10-R1.5	288,990	(25,548)
	Total Metal Meters	6,886,490.09			2,522,546	(223,002)

Table 4

Illinois - American Water Company

Summary of Original Cost Per Books as of December 31, 1998, Pending
Retirements, and Original Cost Per Depreciation Study
as of December 31, 1998

Acct. No. (a)	Account Description (b)	Original Cost 12-31-98 (c)	Pending Retirements (d)	Original Cost Per Deprec. Study 12-31-98 (e)=(c)-(d)
<u>DEPRECIABLE PLANT</u>				
<u>Source of Supply</u>				
304.10	311.00 Structures & Improvements	1,786,747.66		1,786,747.66
305.00	312.00 Collecting & Impounding Reservoirs	39,033.82		39,033.82
306.00	313.00 Lakes, River & Other Intakes	2,151,108.53		2,151,108.53
307.00	314.00 Wells & Springs	651,793.06		651,793.06
309.00	316.00 Supply Mains	3,465,211.62		3,465,211.62
	TOTAL Source of Supply	8,093,894.69	0.00	8,093,894.69
<u>Pumping Equipment</u>				
304.20	321.00 Structures & Improvements	6,879,212.38		6,879,212.38
310.00	323.00 Power Generation Equipment	1,198,050.81		1,198,050.81
<u>Pumping Equipment</u>				
311.20	325.00 Electric Pumping Equipment	18,785,625.93		18,785,625.93
311.30	326.00 Diesel Pumping Equipment	918,439.91		918,439.91
311.50	328.00 Other Pumping Equipment	53,342.34		53,342.34
	Total Account 311	19,757,408.18	0.00	19,757,408.18
	TOTAL Pumping Equipment	27,834,671.37	0.00	27,834,671.37
<u>Water Treatment Plant</u>				
304.30	331.00 Structures & Improvements	24,280,834.77		24,280,834.77
<u>Water Treatment Equipment</u>				
320.10	332.10 Treatment Plant	23,348,960.96		23,348,960.96
320.20	332.20 Chemical Equipment	10,506,439.52		10,506,439.52
	Total Account 320	33,855,400.48	0.00	33,855,400.48
	TOTAL Water Treatment	58,136,235.25	0.00	58,136,235.25
<u>Transmission & Distribution Plant</u>				
330.00	342.00 Distribution Reservoirs & Standpipes	5,989,965.23		5,989,965.23
<u>Transmission & Distribution Mains</u>				
331.11	343.11 CI & DI, 4" & Under	4,596,081.79		4,596,081.79
331.12	343.12 CI & DI, 6" - 8"	38,349,909.60		38,349,909.60
331.13	343.13 CI & DI, 10" - 16"	32,908,838.01		32,908,838.01

Illinois - American Water Company

Summary of Original Cost Per Books as of December 31, 1998, Pending
Retirements, and Original Cost Per Depreciation Study
as of December 31, 1998

Acct. No.	Account Description	Original Cost 12-31-98	Pending Retirements	Original Cost Per Deprec. Study 12-31-98
(a)	(b)	(c)	(d)	(e)=(c)-(d)
331.14	343.14 CI & DI, 18" & Over	9,074,901.34		9,074,901.34
331.21	343.21 ASB Cement, 4" & Under	27,809.20		27,809.20
331.22	343.22 ASB Cement, 6" - 8"	10,670,808.59		10,670,808.59
331.23	343.23 ASB Cement, 10" - 16"	3,663,320.81		3,663,320.81
331.31	343.31 Steel, 4" & Under	236,946.79		236,946.79
331.32	343.32 Steel, 6" - 8"	3,473.63		3,473.63
331.33	343.33 Steel, 10" - 16"	373,591.29		373,591.29
331.34	343.34 Steel, 18" & Over	763,209.93		763,209.93
331.43	343.43 Concrete, 10" - 16"	170,589.10		170,589.10
331.44	343.44 Concrete, 18" & Over	3,571,598.04		3,571,598.04
331.51	343.51 Copper, 4" & Under	303,382.69		303,382.69
331.61	343.61 Plastic, 4" & Under	730,947.32		730,947.32
331.62	343.62 Plastic, 6" - 8"	633,006.74		633,006.74
331.63	343.63 Plastic, 10" - 16"	76,894.59		76,894.59
331.71	343.71 Valves, 4" & Under	372,150.38		372,150.38
331.72	343.72 Valves, 6" - 8"	2,667,282.40		2,667,282.40
331.73	343.73 Valves, 10" - 16"	1,325,941.99		1,325,941.99
331.74	343.74 Valves, 18" & Over	1,053,554.40		1,053,554.40
331.75	343.75 Valve Boxes	832,908.68		832,908.68
331.80	343.80 Manholes, Pits & Vaults	13,841.12		13,841.12
	Total Account 331	112,420,988.43	0.00	112,420,988.43
Services				
333.10	345.10 Services - 1" & Under	31,864,108.57		31,864,108.57
333.20	345.20 Services - Over 1"	3,418,214.77		3,418,214.77
	Total Account 333	35,282,323.34	0.00	35,282,323.34
Meters & Meter Installations				
Meter Installations				
334.21	347.10 Installation - 1" & Under	10,223,931.45		10,223,931.45
334.22	347.20 Installation - Over 1"	1,455,233.15		1,455,233.15
334.23	347.30 Vaults	1,011,655.69		1,011,655.69
	Total Meter Installations	12,690,820.29	0.00	12,690,820.29
Meters				
334.41	346.10 Meters - Metal 1" & Under	6,132,018.80		6,132,018.80
334.42	346.15 Meters - Metal Over 1"	754,471.29		754,471.29
	Total Metal Meters	6,886,490.09	0.00	6,886,490.09
334.43	346.20 Meters - Plastic	306,757.54		306,757.54
	Total Meters	7,193,247.63	0.00	7,193,247.63
	Total Account 334	19,884,067.92	0.00	19,884,067.92

Table 4

Illinois - American Water Company

Summary of Original Cost Per Books as of December 31, 1998, Pending
Retirements, and Original Cost Per Depreciation Study
as of December 31, 1998

Acct. No. (a)	Account Description (b)	Original Cost 12-31-98 (c)	Pending Retirements (d)	Original Cost Per Deprec. Study 12-31-98 (e)=(c)-(d)
335.00 348.00	Hydrants	11,280,788.02		11,280,788.02
	TOTAL Transmission & Distri.	184,858,132.94	0.00	184,858,132.94
	<u>General Plant</u>			
	Structures & Improvements			
304.60 390.10	Office Structures	5,290,879.02		5,290,879.02
304.70 390.20	Stores, Shop & Garage Structures	2,543,990.90		2,543,990.90
304.80 390.30	Miscellaneous Structures	344,503.92		344,503.92
	Subtotal Account 304	8,179,373.84	0.00	8,179,373.84
	Office Furniture & Equipment			
340.10 391.10	Office Furniture	1,319,409.94		1,319,409.94
340.70 391.26	PC Software	524,652.68		524,652.68
340.90 391.30	Other Machinery & Equip. **	358,630.59		358,630.59
340.20 391.21	Personal Computers & Peripheral Eq.	2,300,316.62	702,234.99	1,598,081.63
340.30 391.23	Other Computer Equip.	266,699.39		266,699.39
340.40 391.20	Mainframe Computers	1,780,173.22	138,254.83	1,641,918.39
	Total Computer	4,347,189.23	840,489.82	3,506,699.41
340.60 391.25	Mainframe Computer Software	1,290,224.74	34,137.89	1,256,086.85
340.80 391.28	Other Software	84,843.67		84,843.67
	Total Mainframe & Other Computer Software	1,375,068.41	34,137.89	1,340,930.52
	Total Account 340	7,924,950.85	874,627.71	7,050,323.14
	Transportation Equipment			
341.10 392.11	Light Trucks	2,770,927.95		2,770,927.95
341.20 392.12	Heavy trucks	529,441.88		529,441.88
341.30 392.20	Cars	822,441.79		822,441.79
341.40 392.30	Others	53,113.66		53,113.66
	Total Account 341	4,175,925.28	0.00	4,175,925.28
342.00 393.00	Stores Equipment	121,090.84		121,090.84
343.00 394.00	Tools, Shop & Garage Equipment	2,405,303.72		2,405,303.72
344.00 395.00	Laboratory Equipment	638,103.71		638,103.71
345.00 396.00	Power Operated Equipment	1,574,699.40		1,574,699.40
346.00 397.00	Communication Equipment	1,251,468.85		1,251,468.85
347.00 398.00	Miscellaneous Equipment	693,584.61		693,584.61
	TOTAL General Plant	26,964,501.10	874,627.71	26,089,873.39
	TOTAL Depreciable Plant	305,887,435.35	874,627.71	305,012,807.64

Illinois - American Water Company

Summary of Original Cost Per Books as of December 31, 1998, Pending
Retirements, and Original Cost Per Depreciation Study
as of December 31, 1998

Acct. No. (a)	Account Description (b)	Original Cost 12-31-98 (c)	Pending Retirements (d)	Original Cost Per Deprec. Study 12-31-98 (e)=(c)-(d)
<u>NON-DEPRECIABLE PLANT</u>				
301.00	301.00 Organization	88,864.98		88,864.98
302.00	302.00 Franchise & Consents	768.45		768.45
303.00	303.00 Land & Land Rights	1,013,229.32		1,013,229.32
303.00	310.00 Land & Land Rights	114,982.69		114,982.69
303.00	320.00 Land & Land Rights	606,919.67		606,919.67
303.00	330.00 Land & Land Rights	61,924.49		61,924.49
303.00	340.00 Land & Land Rights	1,343,003.93		1,343,003.93
303.00	389.10 Land & Land Rights	450,381.52		450,381.52
	TOTAL Non-Depreciable Plant	3,680,075.05	0.00	3,680,075.05
	TOTAL Utility Plant in Service	309,567,510.40	874,627.71	308,692,882.69

Illinois - American Water Company

Summary of Depreciation Reserve Per Books as of December 31, 1998
Pending Retirements, and Depreciation Reserve Per
Depreciation Study as of December 31, 1998

Acct. No. (a)	Account Description (b)	Depreciation Reserve Per Books 12-31-98 (c)	Pending Retirements (d)	Depreciation Reserve Per Depre. Study 12-31-98 (e)=(c)-(d)
<u>DEPRECIABLE PLANT</u>				
<u>Source of Supply</u>				
304.10	311.00 Structures & Improvements	165,940		165,940
305.00	312.00 Collecting & Impounding Reservoirs	8,028		8,028
306.00	313.00 Lakes, River & Other Intakes	547,188		547,188
307.00	314.00 Wells & Springs	169,272		169,272
309.00	316.00 Supply Mains	1,190,759		1,190,759
	TOTAL Source of Supply	2,081,187	0.00	2,081,187
<u>Pumping Equipment</u>				
304.20	321.00 Structures & Improvements	1,297,411		1,297,411
310.00	323.00 Power Generation Equipment	499,023		499,023
<u>Pumping Equipment</u>				
311.20	325.00 Electric Pumping Equipment	5,826,962		5,826,962
311.30	326.00 Diesel Pumping Equipment	475,842		475,842
311.50	328.00 Other Pumping Equipment	(20,586)		(20,586)
	Total Account 311	6,282,218	0.00	6,282,218
	TOTAL Pumping Equipment	8,078,652	0.00	8,078,652
<u>Water Treatment Plant</u>				
304.30	331.00 Structures & Improvements	3,277,854		3,277,854
<u>Water Treatment Equipment</u>				
320.10	332.10 Treatment Plant	8,093,064		8,093,064
320.20	332.20 Chemical Equipment	2,521,053		2,521,053
	Total Account 320	10,614,117	0.00	10,614,117
	TOTAL Water Treatment	13,891,971	0.00	13,891,971
<u>Transmission & Distribution Plant</u>				
330.00	342.00 Distribution Reservoirs & Standpipes	1,944,115		1,944,115
<u>Transmission & Distribution Mains</u>				
331.11	343.11 CI & DI, 4" & Under	2,424,809		2,424,809
331.12	343.12 CI & DI, 6" - 8"	7,379,432		7,379,432
331.13	343.13 CI & DI, 10" - 16"	5,512,048		5,512,048

Table 5

Illinois - American Water Company

Summary of Depreciation Reserve Per Books as of December 31, 1998
Pending Retirements, and Depreciation Reserve Per
Depreciation Study as of December 31, 1998

Acct. No.	Account Description	Depreciation Reserve Per Books 12-31-98	Pending Retirements	Depreciation Reserve Per Depre. Study 12-31-98
(a)	(b)	(c)	(d)	(e)=(c)-(d)
331.14	343.14 CI & DI, 18" & Over	2,361,835		2,361,835
331.21	343.21 ASB Cement, 4" & Under	19,014		19,014
331.22	343.22 ASB Cement, 6" - 8"	4,327,802		4,327,802
331.23	343.23 ASB Cement, 10" - 16"	1,355,663		1,355,663
331.31	343.31 Steel, 4" & Under	232,194		232,194
331.32	343.32 Steel, 6" - 8"	2,084		2,084
331.33	343.33 Steel, 10" - 16"	102,536		102,536
331.34	343.34 Steel, 18" & Over	265,420		265,420
331.43	343.43 Concrete, 10" - 16"	90,725		90,725
331.44	343.44 Concrete, 18" & Over	1,571,656		1,571,656
331.51	343.51 Copper, 4" & Under	62,449		62,449
331.61	343.61 Plastic, 4" & Under	227,013		227,013
331.62	343.62 Plastic, 6" - 8"	146,644		146,644
331.63	343.63 Plastic, 10" - 16"	25,366		25,366
331.71	343.71 Valves, 4" & Under	132,066		132,066
331.72	343.72 Valves, 6" - 8"	853,175		853,175
331.73	343.73 Valves, 10" - 16"	355,060		355,060
331.74	343.74 Valves, 18" & Over	338,052		338,052
331.75	343.75 Valve Boxes	292,134		292,134
331.80	343.80 Manholes, Pits & Vaults	4,583		4,583
	Total Account 331	28,081,760	0.00	28,081,760
Services				
333.10	345.10 Services - 1" & Under	8,518,207		8,518,207
333.20	345.20 Services - Over 1"	939,305		939,305
	Total Account 333	9,457,512	0.00	9,457,512
Meters & Meter Installations				
Meter Installations				
334.21	347.10 Installation - 1" & Under	4,807,821		4,807,821
334.22	347.20 Installation - Over 1"	458,490		458,490
334.23	347.30 Vaults	263,055		263,055
	Total Meter Installations	5,529,366	0.00	5,529,366
Meters				
334.41	346.10 Meters - Metal 1" & Under	(197,454)		(197,454)
334.42	346.15 Meters - Metal Over 1"	(25,548)		(25,548)
	Total Metal Meters	(223,002)	0.00	(223,002)
334.43	346.20 Meters - Plastic	147,234		147,234
	Total Meters	(75,768)	0.00	(75,768)
	Total Account 334	5,453,598	0.00	5,453,598

Table 5

Illinois - American Water Company

Summary of Depreciation Reserve Per Books as of December 31, 1998
Pending Retirements, and Depreciation Reserve Per
Depreciation Study as of December 31, 1998

Acct. No. (a)	Account Description (b)	Depreciation Reserve Per Books 12-31-98 (c)	Pending Retirements (d)	Depreciation Reserve Per Depre. Study 12-31-98 (e)=(c)-(d)
335.00 348.00	Hydrants	4,166,636		4,166,636
	TOTAL Transmission & Distri.	49,103,621	0.00	49,103,621
	<u>General Plant</u>			
	Structures & Improvements			
304.60 390.10	Office Structures	1,523,128		1,523,128
304.70 390.20	Stores, Shop & Garage Structures	1,143,326		1,143,326
304.80 390.30	Miscellaneous Structures	137,918		137,918
	Subtotal Account 304	2,804,372	0.00	2,804,372
	Office Furniture & Equipment			
340.10 391.10	Office Furniture	372,540		372,540
340.70 391.26	PC Software	218,439		218,439
340.90 391.30	Other Machinery & Equip. **	143,574		143,574
340.20 391.21	Personal Computers & Peripheral Eq.	2,341,919	702,234.99	1,639,684
340.30 391.23	Other Computer Equip.	6,326		6,326
340.40 391.20	Mainframe Computers	140,372	138,254.83	2,117
	Total Computers	2,488,617	840,490	1,648,127
340.60 391.25	Mainframe Computer Software	454,234	34,137.89	420,096
340.80 391.28	Other Software	39,894		39,894
	Total Mainframe & Other Computer Software	494,128	34,138	459,990
	Total Account 340	3,717,298	874,628	2,842,670
	Transportation Equipment			
341.10 392.11	Light Trucks	1,109,223		1,109,223
341.20 392.12	Heavy trucks	233,481		233,481
341.30 392.20	Cars	1,004,586		1,004,586
341.40 392.30	Others	43,724		43,724
	Total Account 341	2,391,014	0.00	2,391,014
342.00 393.00	Stores Equipment	45,042		45,042
343.00 394.00	Tools, Shop & Garage Equipment	1,047,852		1,047,852
344.00 395.00	Laboratory Equipment	160,030		160,030
345.00 396.00	Power Operated Equipment	352,955		352,955
346.00 397.00	Communication Equipment	820,636		820,636
347.00 398.00	Miscellaneous Equipment	268,402		268,402
	TOTAL General Plant	11,607,601	874,627.71	10,732,973
	TOTAL Depreciable Plant	84,763,032	874,627.71	83,888,404

ILLINOIS-AMERICAN WATER COMPANY

General

This report sets forth the results of our study of the depreciable property of the Illinois-American Water Company (the Company) as of December 31, 1998 and contains the basic parameters (recommended average service lives and life characteristics) for the proposed average remaining life depreciation rates until a subsequent service life study is completed. All average service lives set forth in this report are developed based upon plant in service as of December 31, 1998.

The scope of the study included an analysis of Company historical data through December 31, 1998, discussions with Company management staff to identify prior and prospective factors affecting the Company's plant in service, as well as interpretation of past service life data experience and future life expectancies to determine the appropriate average service lives of the Company's surviving plant. The service lives and life characteristics, resulting from the in-depth study, were utilized together with the Company's plant in service and book depreciation reserve to determine the recommended Average Remaining Life (ARL) depreciation rates related to the Company's plant in service as of December 31, 1998.

In preparing the study, the Company's historical investment data were studied using various service life analysis techniques. Further, discussions were held with the Company's management to obtain an overview of the Company's facilities and to discuss the general scope of operations together with other factors which could have a bearing on the service lives of the Company's property. Finally, the study results were tempered by information gathered during plant inspection tours of a representative portion of the Company's

property.

The Company maintains a property record containing a summary of its fixed capital investments by property account. This investment data was analyzed and summarized by property group and/or sub group and vintage then utilized as a basis for the various depreciation calculations.

Depreciation Study Overview

There are numerous methods utilized to recover property investment depending upon the goal. For example, accelerated methods such as double declining balance and sum of years digits are methods used in tax accounting to motivate additional investments. Various Straight Line Grouping Procedures are utilized by companies to depreciate their asset investments depending upon the policy of the specific agency within the various jurisdictions. Such approaches include procedures such as Equal Life Group (ELG), Vintage Group (VG), and Broad Group (BG). The ELG procedure is used widely in the telecommunications industry while numerous gas and electric companies' depreciation rates are also based upon the ELG procedure. In addition, various water companies have components of their property depreciated on this basis.

The Straight Line (Group) Method of depreciation utilized in this study to develop the recommended depreciation rates is the Equal Life Group Procedure together with the Average Remaining Life Technique. The use of this procedure and technique is based upon recovering the net book cost (*original cost less book reserve*) of the surviving plant in service over its estimated remaining useful life. Any variance between the book reserve and an implied theoretical calculated reserve is compensated for under this procedure. That is, as the Company's book reserve increases above or declines below the theoretical

reserve at a specific point in time, the Company's average remaining life depreciation rate in subsequent years will be increased or decreased to compensate for the variance, thereby, assuring full recovery of the Company's investment by the end of the property's life.

The Company, like any other business, includes as an annual operating expense an amount which reflects a portion of the capital investment which was consumed in providing service during the accounting period. The annual depreciation amount to be utilized is based upon the remaining productive life over which the undepreciated capital investment needs to be recovered. The determination of the productive remaining life for each property group usually includes an in-depth study of past experience in addition to estimates of future expectations.

Annual Depreciation Accrual

Through the utilization of the Average Remaining Life Technique, the Company will recover the undepreciated fixed capital investment in the appropriate amounts as annual depreciation expense in each year throughout the remaining life of the property. The procedure incorporates the future life expectancy of the property, the vintaged surviving plant in service, and estimated net salvage, together with the book depreciation reserve balance to develop the annual depreciation rate for each property account. Accordingly, the ARL technique meets the objective of providing a straight line recovery of the undepreciated fixed capital property investment.

As indicated, the use of the Average Remaining Life Technique results in charging the appropriate annual depreciation amounts over the remaining life of the property to insure full recovery by end of life. That does not mean that once an average remaining life is estimated, it can not be changed at any point throughout the service life, but that the

annual expense is calculated on a Straight Line Method rather than by the previously mentioned, "sum of the years digits" or "double declining balance" methods, etc. The "group" refers to the method of calculating annual depreciation on the summation of the investment in any one depreciable group or plant account rather than calculating depreciation for each individual unit.

Under the Equal Life Group depreciation rates are designed to fully accrue the cost of the asset group by the time of retirement resulting in a more appropriate matching of the recovery of the asset investment in conjunction with the consumption of the property's service value. By comparison, in utilizing the Broad Group depreciation some units are typically over depreciated and other units are under depreciated at the time when they are retired from service, with the assumption that the account is fully depreciated when the property's overall average service life is attained. For both the Equal Life Group and Broad Group Procedures the full cost of the investment is credited to plant in service when the retirement occurs and likewise the depreciation reserve is debited with an equal retirement cost. No gain or loss is recognized at the time of property retirement because of the assumption the retired property was at average service life.

Group Depreciation Procedures

Group depreciation procedures are utilized to depreciate property when more than one item of property is being depreciated. Such a procedure is appropriate because all of the items within a specific group typically do not have identical service lives, but have lives which are dispersed over a range of time. Utilizing a group depreciation procedure allows for a condensed application of depreciation rates to groups of similar property in lieu of extensive depreciation calculations on an item by item basis. The two more common group

depreciation procedures are the Equal Life Group (ELG) and Broad Group (BG) approaches.

In developing depreciation rates using the Equal Life Group procedure, the property group is subdivided, through the use of plant survivor life tables, into equal life groups. Each equal life group includes a portion of the overall property group which experiences the specific life of the sub-group. The relative size of each sub-group is determined from the overall group life characteristic (property dispersion curve). This procedure both overcomes the disadvantage of voluminous record requirements of unit depreciation, as well as, eliminates the need to base depreciation on overall lives as required under the broad group procedure. The application of this procedure results in each sub-group of the property having a single life. In this procedure, the full cost of short lived units is accrued during their lives leaving no under accruals to be recovered by over accruals on long lived plant. The annual depreciation for the group is the summation of the depreciation accruals based on the service life of each Equal Life Group.

The ELG Procedure is superior to the BG Procedure because it allocates the capital cost of a group property to annual expense in accordance with the consumption of the property group providing service to customers. In this regard, the company's customers are more appropriately charged with the cost of the property consumed in providing them service during the applicable service period. The more timely return of plant cost is accomplished by fully accruing each unit's cost during its service life, thereby, not only reducing the risk of incomplete cost recovery, but also the procedure results in less return on rate base over the life of a depreciable group. The total depreciation expense is the same for all procedures which allocate the full capital cost to expense, but at any specific

point in time, the depreciated original cost is less under the ELG procedure than under the BG procedure. This circumstance exists because under the equal life group procedure, the rate base is not maintained at a level of greater than the future service value of the surviving plant as is the case when using the BG procedure. Consequently, the total return required from the ratepayers is less under the ELG procedure.

While the equal life group procedure has been known to depreciation experts for many years widespread interest in applying the procedure developed only after high speed electronic computers became available to perform the large volume of arithmetic computations required in developing ELG based depreciation lives and rates. The table on the following page illustrates the procedure for calculating equal life group depreciation accrual rates and summarizes the results of the underlying calculations. Depreciation rates are determined for each age interval (one year increment) during the life of a group of property which was installed in a given year or vintage group. The age of the vintage group is shown in column (A) of the ELG table. The percent surviving at the beginning of each age interval is determined from the Iowa 10-R3 survivor curve which is set forth in column (B). The percent retired during each age interval, as shown in column (C), is the difference between the percent surviving at successive age intervals. Accordingly, the percentage amount of the vintage group retired defines the size of each equal life group. For example, during the interval 3 1/2 to 4 1/2, 1.93690 percent of the vintage group is retired at an average age of four years. In this case, the 1.93690 percent of the group experiences an equal life of four years. Likewise, 3.00339 percent is retired during the interval 4 1/2 to 5 1/2 and experiences a service life of five years. Further, 4.42969 percent experiences a six-year life; etc. Calculations are made for each age interval from the zero age interval

XYZ COMPANY

CALCULATION OF ASL, ARL AND ACCRUED DEPRECIATION FACTORS
BASED UPON AN IOWA 10-R3 CURVE USING THE EQUAL LIFE GROUP (ELG) PROCEDURE

AGE AT BEGIN OF INTERVAL	LIFE TABLE BEGIN OF INTERVAL	RETIREMENT DURING INTERVAL	AVERAGE SURVIVING	AGE OF AMOUNT RETIRED	AMOUNT FOR EACH LIFE GROUP	AMOUNT FOR REMAINING LIFE GROUPS	EQUAL LIFE GROUP PROCEDURE			
							AVERAGE SERVICE LIFE	AVERAGE REMAINING LIFE	ELG/ARL DEPR RATE	ACCRUED DEPR RES FACTOR
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
0.0	1.0000000	0.0009198	0.9995401	0.25	0.0009198	0.0583036	8.57	8.57	11.67	0.0000000
0.5	0.9990802	0.0033314	0.9974145	1.0	0.0033314	0.1131019	8.82	8.32	11.34	0.0566975
1.5	0.9957488	0.0065393	0.9924792	2.0	0.0032697	0.1098013	9.04	7.54	11.06	0.1659501
2.5	0.9892095	0.0117037	0.9833577	3.0	0.0039012	0.1062159	9.26	6.76	10.80	0.2700337
3.5	0.9775058	0.0193690	0.9678213	4.0	0.0048422	0.1018442	9.50	6.00	10.52	0.3683062
4.5	0.9581368	0.0300339	0.9431199	5.0	0.0060068	0.0964196	9.78	5.28	10.22	0.4600565
5.5	0.9281029	0.0442969	0.9059545	6.0	0.0073828	0.0897248	10.10	4.60	9.90	0.5447146
6.5	0.8838060	0.0631367	0.8522377	7.0	0.0090195	0.0815237	10.45	3.95	9.57	0.6217794
7.5	0.8206693	0.0876232	0.7768577	8.0	0.0109529	0.0715375	10.86	3.36	9.21	0.6906424
8.5	0.7330461	0.1168879	0.6747022	9.0	0.0129653	0.0595783	11.32	2.82	8.83	0.7505770
9.5	0.6163582	0.1431836	0.5447664	10.0	0.0143184	0.0459365	11.86	2.36	8.43	0.8010714
10.5	0.4731746	0.1533568	0.3964962	11.0	0.0139415	0.0318066	12.47	1.97	8.02	0.8423003
11.5	0.3198178	0.1363216	0.2516570	12.0	0.0113601	0.0191557	13.14	1.64	7.61	0.8753616
12.5	0.1834962	0.0975199	0.1347363	13.0	0.0075015	0.0097249	13.85	1.35	7.22	0.9022159
13.5	0.0859763	0.0559043	0.0580242	14.0	0.0039932	0.0039775	14.59	1.09	6.85	0.9254232
14.5	0.0300720	0.0244398	0.0178521	15.0	0.0016293	0.0011663	15.31	0.81	6.53	0.9473077
15.5	0.0056322	0.0055324	0.0028660	16.0	0.0003458	0.0001788	16.03	0.53	6.24	0.9667657
16.5	0.0000998	0.0000998	0.0000499	17.0	0.0000059	0.0000029	17.00	0.50	5.88	0.9705882
17.5	0.0000000	0.0000000	0.0000000	18.0	0.0000000	0.0000000				
		1.0000000				1.0000000				

through the end of the life of the vintage group. The average service life for each age interval's equal life group is shown in column (E) of the table.

The amount to be accrued annually for each equal life group is equal to the percentage retired in the equal life group divided by its service life. Inasmuch as additions and retirements are assumed, for calculation purposes, to occur at midyear only one-half of the equal life group's annual accrual is allocated to expense during its first and last years of service life. The accrual amount for the property retired during age interval 0 to 1/2 must be equal to the amount retired to insure full recovery of that component during that period. The accruals for each equal life group during the age intervals of the vintage group's life cycle are shown in column (F). The total accrual for a given year is the summation of the equal life group accruals for that year. For example, the total accrual for the second year, as shown in column (G), is 11.31019 percent and is the sum of all succeeding years remaining equal life group accruals plus one half of the current years life group accrual listed in column (F). For the zero age interval year, the total accrual is equal to one half of the sum of all succeeding years remaining equal life accruals plus the amount for the zero interval equal life group accrual. The one half year accrual for the zero age interval is consistent with the half year convention relative to property during its installation year. The sum of the annual accruals for each age interval contained in column (G) total to 1.000 demonstrating that the developed rates will recover 100% of plant no more and no less. The annual accrual rate which will result in the accrual amount is the ratio of the accrual amount (11.31019 percent) to the average percent surviving during the interval, column (D), (99.74145 percent), which is a rate of 11.34% (column J). Column (J) contains a summary of the accrual rates for each age interval of the property groups life cycle based upon an